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**HARVEST BIBLE CHAPEL DURHAM REGION INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Members

Harvest Bible Chapel Durham Region Inc.

BROOKLIN

Ontario

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Harvest Bible Chapel Durham Region Inc. which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

As is common with many charitable organizations, Harvest Bible Chapel Durham Region Inc. derives part of its revenues from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue and deferred revenue from this source was limited to the amounts recorded in the records of Harvest Bible Chapel Durham Region Inc. and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effect of the matter described in the Basis of Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Harvest Bible Chapel Durham Region Inc. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

March 15, 2018

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## STATEMENT OF FINANCIAL POSITION

As at December 31,	2017	2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 333,968	\$ 145,700
Restricted cash	23,841	480,523
Term deposits (Note 2)	109,190	209,145
HST refundable	15,752	6,900
Prepaid expenses	6,877	9,681
	<u>\$ 489,628</u>	<u>\$ 851,949</u>
<b>Capital Assets (Note 3)</b>	45,112	51,214
<b>Restricted Investments (Note 4)</b>	<u>698,347</u>	<u>-</u>
	<u>\$ 1,233,087</u>	<u>\$ 903,163</u>

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## LIABILITIES

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 15,420</u>	<u>\$ 18,242</u>

## NET ASSETS

Unrestricted	\$ 75,667	82,725
Internally restricted	419,812	321,673
Externally restricted	<u>722,188</u>	<u>480,523</u>
	<u>\$ 1,217,667</u>	<u>\$ 884,921</u>
	<u>\$ 1,233,087</u>	<u>\$ 903,163</u>

## Commitments (Note 5)

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Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2017

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	Balance - Beginning	Revenues	Expenses	Excess (Deficiency) of Revenues over Expenses	Transfers (Note 6)	Balance - Ending
<b>Unrestricted</b>						
General	\$ 82,725	\$ 892,699	\$ 809,610	\$ 83,089	\$ (90,147)	\$ 75,667
<b>Internally Restricted</b>						
Facilities	\$ 321,673	\$ 11,498	\$ -	\$ 11,498	\$ 56,641	\$ 389,812
Rebranding	-	-	-	-	30,000	30,000
	<u>\$ 321,673</u>	<u>\$ 11,498</u>	<u>\$ -</u>	<u>\$ 11,498</u>	<u>\$ 86,641</u>	<u>\$ 419,812</u>
<b>Externally Restricted</b>						
Facilities	\$ 468,327	\$ 241,861	\$ -	\$ 241,861	\$ -	\$ 710,188
Missions	7,000	3,875	5,000	(1,125)	1,125	7,000
Benevolent	5,196	2,630	5,207	(2,577)	2,381	5,000
	<u>\$ 480,523</u>	<u>\$ 248,366</u>	<u>\$ 10,207</u>	<u>\$ 238,159</u>	<u>\$ 3,506</u>	<u>\$ 722,188</u>
<b>Total</b>	<u>\$ 884,921</u>	<u>\$ 1,152,563</u>	<u>\$ 819,817</u>	<u>\$ 332,746</u>	<u>\$ -</u>	<u>\$ 1,217,667</u>
<b>Prior Period</b>						
Unrestricted	\$ 76,252	\$ 826,547	\$ 738,579	\$ 87,968	\$ (81,495)	\$ 82,725
Internally Restricted	249,965	2,450	-	2,450	69,258	321,673
Externally Restricted	<u>293,283</u>	<u>194,727</u>	<u>19,724</u>	<u>175,003</u>	<u>12,237</u>	<u>480,523</u>
	<u>\$ 619,500</u>	<u>\$ 1,023,724</u>	<u>\$ 758,303</u>	<u>\$ 265,421</u>	<u>\$ -</u>	<u>\$ 884,921</u>

See accompanying notes

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## STATEMENT OF OPERATIONS

For the year ended December 31,

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	General	Facilities	Missions	Benevolent	Total 2017	Total 2016
<b>REVENUES</b>						
Contributions	\$ 889,889	\$ 241,861	\$ 3,875	\$ 2,630	\$ 1,138,255	\$ 1,019,055
Other receipts	<u>2,810</u>	<u>11,498</u>	<u>-</u>	<u>-</u>	<u>14,308</u>	<u>4,669</u>
	<u>\$ 892,699</u>	<u>\$ 253,359</u>	<u>\$ 3,875</u>	<u>\$ 2,630</u>	<u>\$ 1,152,563</u>	<u>\$ 1,023,724</u>
<b>EXPENSES</b>						
Salaries and benefits	\$ 487,717	\$ -	\$ -	\$ -	\$ 487,717	\$ 431,736
Facilities	89,264	-	-	-	89,264	90,685
Missions	71,331	-	5,000	-	76,331	71,385
Administration	41,346	-	-	-	41,346	36,470
Staff development and ministry expenses	30,269	-	-	-	30,269	15,948
Other ministries	29,490	-	-	-	29,490	47,498
Worship	21,447	-	-	-	21,447	21,732
Amortization	12,453	-	-	-	12,453	12,696
Harvest Kids	8,422	-	-	-	8,422	4,605
Adult ministries	6,544	-	-	-	6,544	6,600
Youth	6,104	-	-	-	6,104	6,941
Integration	5,223	-	-	-	5,223	7,442
Benevolence	-	-	-	5,207	5,207	4,565
	<u>\$ 809,610</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,207</u>	<u>\$ 819,817</u>	<u>\$ 758,303</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>						
	<u>\$ 83,089</u>	<u>\$ 253,359</u>	<u>\$ (1,125)</u>	<u>\$ (2,577)</u>	<u>\$ 332,746</u>	<u>\$ 265,421</u>

See accompanying notes

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**HARVEST BIBLE CHAPEL DURHAM REGION INC.****STATEMENT OF CASH FLOWS**

For the year ended December 31,

2017

2016

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**CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):****OPERATING ACTIVITIES**

Excess of revenues over expenses	\$ 332,746	\$ 265,421
Items not affecting cash:		
Amortization	<u>12,453</u>	<u>12,696</u>
	\$ 345,199	\$ 278,117
Net change in non-cash working capital balances:		
HST refundable	(8,852)	1,094
Prepaid expenses	2,804	(1,759)
Accounts payable and accrued liabilities	<u>(2,822)</u>	<u>6,732</u>
	\$ 336,329	\$ 284,184

**INVESTING ACTIVITIES**

Decrease (increase) in term deposits	\$ 99,955	\$ (75,145)
Increase in restricted investments	(698,347)	-
Purchase of capital assets	<u>(6,351)</u>	<u>(14,148)</u>
	\$ (604,743)	\$ (89,293)

**NET INCREASE (DECREASE) IN CASH**

\$ (268,414) \$ 194,891

**CASH - Beginning**626,223 431,332**CASH - Ending**\$ 357,809 \$ 626,223**Cash is allocated as follows:**

Unrestricted cash	\$ 333,968	\$ 145,700
Restricted cash	<u>23,841</u>	<u>480,523</u>
	<u>\$ 357,809</u>	<u>\$ 626,223</u>

See accompanying notes

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### NATURE OF OPERATIONS

Harvest Bible Chapel Durham Region Inc. (the "Church") is federally incorporated without share capital and is a registered charity under the Income Tax Act. The Church qualifies for tax-exempt status. The purpose of the Church is to preach and advance the Christian faith through teaching and ministry and to evangelize at home and abroad.

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### a) Fund Accounting

The **General Fund** records all transactions relating to daily operating activities and special projects where a fund has not been established. In the case where receipts collected exceed spending, additional funds may be transferred to the internally or externally restricted funds as approved by the Elders.

The **Facilities Fund** records all restricted donations externally designated by donors for capital asset purchases. In addition, internally restricted transfers from the General Fund as approved by the Elders are included in the fund balance.

The **Rebranding Fund** records all internally restricted net asset transfers earmarked for strategic and rebranding efforts as approved by the Elders.

The **Missions and Benevolent Funds** record all restricted donations externally designated by donors for missions or benevolent efforts respectively. Benevolent spending is approved by the Elders. When revenues exceed expenses, the designated amounts remain in the appropriate Missions and Benevolent Fund for future use.

#### b) Revenue Recognition

The Church follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Unrestricted contributions are recognized as revenues in the General Fund when received.

#### c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used. Significant estimates include the estimated useful life of capital assets.

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### d) Cash and Cash Equivalents

Cash and cash equivalents consists of bank deposits.

#### e) Capital Assets

Capital Assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and methods:

	<u>Rate</u>	<u>Method</u>
Office equipment	20%	declining balance
Computer equipment	30%	declining balance
Motor vehicles	20%	declining balance
Audio and video equipment	20%	declining balance
Leasehold improvements	-	5 years straight-line

#### f) Impairment of Capital Assets

When a capital assets no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the General Fund.

#### g) Contributed Services

Volunteer services contributed to the Church in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

#### h) Financial Instruments

The Church initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits, and restricted investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Church has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

#### Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no indicators of impairment in the current year.



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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 2. TERM DEPOSITS

Term deposits consist of the following:

	2017	2016
Cashable GIC bearing interest at 0.5% (2016 - 0.5%) and maturing on March 24, 2018	\$ 100,000	\$ 100,000
Cashable GIC bearing interest at 0.5% (2015 - 0.65%) and matured on September 12, 2017	-	100,000
Cashable GIC bearing interest at 0.5% (2016 - 0.5%) and maturing on January 9, 2018	<u>9,190</u>	<u>9,145</u>
	<u>\$ 109,190</u>	<u>\$ 209,145</u>

### 3. CAPITAL ASSETS

Capital assets consist of the following:

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 15,817	\$ 6,419	\$ 9,398	\$ 9,140
Computer equipment	20,601	9,840	10,761	10,417
Motor vehicles	15,232	6,671	8,561	10,702
Audio and video equipment	27,872	12,594	15,278	19,098
Leasehold improvements	<u>3,714</u>	<u>2,600</u>	<u>1,114</u>	<u>1,857</u>
	<u>\$ 83,236</u>	<u>\$ 38,124</u>	<u>\$ 45,112</u>	<u>\$ 51,214</u>

### 4. RESTRICTED INVESTMENTS

Restricted investments consist of the following:

	2017	2016
Fixed Income	\$ 605,712	\$ -
Other	63,541	-
Equity	<u>29,094</u>	-
	<u>\$ 698,347</u>	<u>\$ -</u>

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 5. COMMITMENTS

The Church leases office space as well as public school facilities for Sunday services and ministry events. The agreements for these expires on April 30, 2019 and August 26, 2018. Future minimum annual rent payments (excluding taxes, maintenance and insurance) are as follows:

2018	\$ 55,652
2019	<u>11,719</u>
	<u>\$ 67,371</u>

### 6. INTERFUND TRANSFERS

#### Internally restricted funds

During the year, the Board of Directors elected to internally restrict net assets from the General fund for future capital and other strategic expenditures. \$56,541 (2016 - \$69,258) and \$30,000 (2016 - \$Nil) was transferred from the unrestricted General fund to the internally restricted Facilities Fund and the internally restricted Rebranding Fund respectively.

#### Missions and Benevolent funds

During the year, the Board of Directors approved transfers, to cover the deficiency of revenues over expenditures for both the Missions and Benevolent Funds. \$1,125 (2016 - \$9,237) and \$2,381 (2016 - \$3,000) was transferred from the unrestricted General fund to the Missions and Benevolent funds respectively.

### 7. FINANCIAL INSTRUMENTS

#### Risks and Concentrations

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentrations of risk at December 31, 2017:

#### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Church is not exposed to significant credit risk. There has been no change in the assessment of credit risk from the prior year.

#### b) Liquidity Risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

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# HARVEST BIBLE CHAPEL DURHAM REGION INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 7. FINANCIAL INSTRUMENTS - Continued

#### c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk, and currency risk. The Church is mainly exposed to interest rate risk and price risk as follows:

##### i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 2 and 4, the Church is exposed to interest rate risk with respect to its term deposit holdings and fixed income investments. The Church does not currently hold any financial instruments to mitigate this risk. The exposure to this risk fluctuates as the deposit balances and related interest rates change from year to year.

##### ii) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is exposed to price risk through its restricted investments. The exposure to this risk fluctuates as the Church's investments change from year to year.